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June 13, 2024

**VIA ECF**

Hon. Analisa Torres  
United States District Court  
Southern District of New York  
500 Pearl Street  
New York, NY 10007

Re: *SEC v. Ripple Labs, Inc.* et al., No. 20-cv-10832 (AT)(SN) (S.D.N.Y.)

Dear Judge Torres:

Defendant Ripple Labs Inc. respectfully submits this notice of supplemental authority relevant to its opposition to the SEC's pending motion for remedies and entry of final judgment. *See* Dkt. Nos. 953 (sealed), 955 (public).

On June 12, 2024, the SEC sought approval for a final consent judgment in *SEC v. Terraform Labs Pte. Ltd.* *See* No. 1:23-cv-01346-JSR (S.D.N.Y. June 12, 2024) ("*Terraform*"), ECF No. 271. The SEC's request follows a jury verdict finding Defendants Terraform Labs PTE Ltd. and Do Hyeong Kwon liable "for intentionally and recklessly orchestrating one of the largest securities frauds in U.S. history." *Terraform*, ECF No. 272 at 1. Specifically, Defendants "engaged in two long-running, massive fraudulent schemes," *id.* at 2, in which they, among other things, touted fictitious transaction data to potential investors and secretly supported the price of a token through a high frequency trading firm while making false statements that the token's price had instead risen due to Defendants' proprietary algorithm. As a result of these schemes, more than \$40 billion of investor funds were "wiped out." *Id.*

The proposed consent order requires Terraform to pay \$3,586,875,883 in disgorgement. In seeking this amount, the SEC cited direct witness testimony of investor losses. *See id.* at 4. The proposed consent order also requires Terraform to pay a \$420,000,000 civil penalty. This civil penalty represents approximately 1.27% of Defendants' \$33 billion gross sales. *See id.* Copies of the SEC's proposed consent order and accompanying letter brief are attached for the Court's convenience.

The civil penalty sought by the SEC in *Terraform* demonstrates the unreasonableness of the civil penalty sought by the SEC in this case. As Ripple's opposition explained, in comparable (and even in more egregious) cases, the SEC has agreed to civil penalties ranging from 0.6% to 1.8% of the defendant's gross revenues. *See* ECF No. 955 at 29-30. *Terraform* fits that pattern. Here, by contrast, the SEC seeks a civil penalty far exceeding that range, even though there are no allegations of fraud in this case and Institutional Buyers did not suffer

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substantial losses. *See id.* at 19-21. *Terraform* thus confirms that the Court should reject the SEC's disproportionate and unprecedented request and that an appropriate civil penalty would be no more than \$10 million.

Respectfully submitted,

/s/ Michael K. Kellogg

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cc: All counsel (via ECF)